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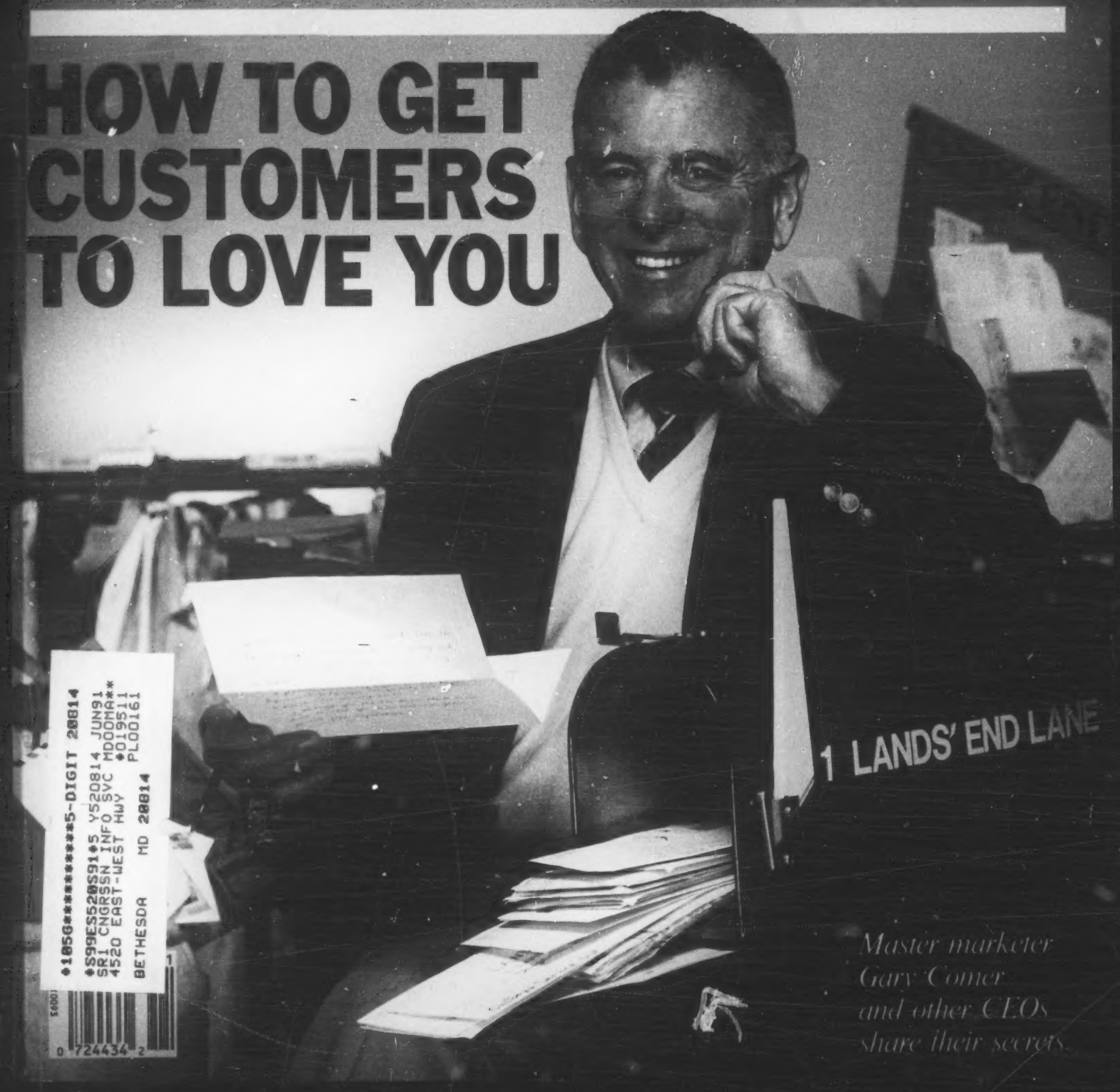

Master marketer Gary Comer and other CEOs share their secrets

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FORTUNE

"I picked things that I liked, and over the years people interested in the same things gathered around. There's no great marketing scheme here." PAGE 38

COVER AND ABOVE: Andy Freeberg photographed Gary Comer at Lands' End headquarters in Dodgeville, Wisconsin.

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"When we went public, I said I wasn't going to run this company for short-term investors."

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"Come back in five years and see what I did."

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"Anybody incapable of punching me in the face is probably incapable of being a group executive for Grand Met."

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"You won't find a lot of retired generals, politicians, and actors on these boards. It's not a country club."

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"What makes recovery happen is small-business people willing to take risks."

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"It's our responsibility to tap the untapped, to raise the level of reserves, not only for Japan but for the world."

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EDITOR'S DESK

ALAN DORROW

John Paul Newport Jr.: the return of the native

THERE'S ALWAYS BEEN a larger-than-life quality to Texas. Even its economic swings have been outsize—its oil-fueled boom more booming, its oil-glut bust more busted than in ordinary states that have never been independent, sovereign nations, as Texas once was. Now, amid the wrecked S&Ls and the vacant buildings, the first green signs of recovery are sprouting. Our story beginning on page 102 doesn't merely document that important development in the nation's third-largest economy. More important, in classic FORTUNE style it goes beyond the news to analyze what local experts say the state needs to do to make its recovery Texas-size.

Writer John Paul Newport Jr., born and bred in Fort Worth and appropriately tall in the saddle at 6-foot-4, comes to the story with missionary fervor. Perhaps that's a legacy from his theologian father, a top administrator of what Newport calls, in true Texas fashion, "the world's largest" Protestant seminary, Southwestern Baptist. Maybe it's only that you can take the journalist out of Texas, but not vice versa. Says Newport: "It's the one place in the world I can say I care about most."

It's also a place he knows in more—and quirkier—detail than most folks. As a reporter for the Fort Worth *Star-Telegram* before he came to FORTUNE, he wrote about rabbit breeders, pigeon fanciers, and goats at the Fort Worth Fat Stock Show, about canoeing from Fort Worth to Dallas, and—as an occasional obituary writer—about such characters as judges who dealt out frontier justice in the rough-and-ready Roy Bean fashion. He also won a John Hancock Award for excellence in business journalism for a series on the social impact of computers and new telecommunications technology.

His affection for his home state caused Harvard-educated Newport to approach this story in a most un-Texas-like manner. The more he found his native drawl getting thicker in dozens of interviews with prominent local business people, politicians, and economists, the more he forced himself not to get caught up in the wild optimism and overstated hopes that he often heard. He focuses not only on the recent gains but also on the myriad obstacles the recovery faces, from an obsolete tax system to a Hispanic population that needs the tools to make itself a richer asset. Only by dealing with problems it has been accustomed to ignore can the state achieve its grand potential. Says John Lawrence, who edited the story: "Now Texas has to build an economy the old-fashioned way, instead of expecting it all to come in a gush." That's a job for the state's fabled can-do spirit.

Marshall Loeb

MANAGING EDITOR

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HOLDING FIRM ON AFFIRMATIVE ACTION

Despite disappointments and a recent Supreme Court reversal, most top executives intend to press their company programs to recruit and train minorities. ■ *by Alan Farnham*

BY SOME YARDSTICKS, affirmative action could be judged a failure. Twenty-five years have passed since the two words entered the law's vocabulary, yet only one black leads a FORTUNE 500 or Service 500 company (Clifton Wharton Jr. of the Teachers Insurance & Annuity Association). A study of corporate vice presidents in 1985 by Korn/Ferry International, the executive search firm, concluded that less than 1% were minorities. After a decade of sawing away at affirmative action's Constitutional supports, the Supreme Court in January appeared to break off a buttress: The court struck down a Richmond, Virginia, law that set aside funds for minority-owned contractors. While the decision addresses only state and local government quotas, its message could influence private enterprises.

Despite court decisions and disheartening statistics, 42% of CEOs polled say they remain fully committed to affirmative action, 59% say they don't plan to change their established programs, and 68% characterize the effect of the programs on U.S. business as good, very good, or outstanding. These findings and others come from the latest FORTUNE 500/CNN Moneyline CEO Poll. Clark Martire & Bartolomeo, an independent opinion research firm, conducted the survey from February 1 to 8. Respondents were 202 CEOs of FORTUNE 500 and Service 500 companies.

Q A The results of affirmative action programs in private U.S. enterprises have been:

Outstanding	2%
Very good	17%
Good	49%
Fair	29%
Poor	2%
Not sure	1%

"It's a very thin market in science and engineering graduates who are minorities."

ALLEN JACOBSON
3M

Does CEO support for affirmative action represent, as Dr. Johnson said of second marriages, a triumph of hope over experience? Not entirely. Employment statistics, undeniably depressing, tell less than a complete story. Corporate restructuring and the stock market crash have hurt minority employment as well. Both led to massive layoffs, and by federal law employers may consider job seniority but not race in cutting workers. Last hired, first fired; and the last hired are often minorities.

One-third of poll respondents say minority hires, because of their education and skill levels, tend to land in staff jobs, the first kind to go when companies squeeze. Says W. Thomas Stephens of Manville: "Because we cut back so drastically in the last six years, gains made in the Seventies were lost. We've had to start over."

Some CEOs draw courage from forms of progress that statistics cannot measure. Jess Hay of Lomas Financial, a mortgage banking and insurance company, sees the sweeping away of old prejudices, including the idea that some jobs are for men, others for women. W. W. Sprague Jr., head of Savannah Foods & Industries in Georgia, says: "I can remember in the late Sixties when our company canceled all company parties because there was too much tension mixing races. Now mixing is very natural." Like 88% of his peers, Sprague says his affirmative action program—which sets goals, not quotas—produces neither contention nor controversy. He declares, "We're not going to lower the level of our management to meet anybody's quota."

While nearly three-quarters of respondents do use goals or quotas, a significant minority (14%) use neither, hiring and promoting on merit alone. Trucking firm J.B. Hunt, with no affirmative-action program, says 25% of its drivers are black, Asian, or female. CEO Kirk Thompson calls quotas "ridiculous" and "a disincentive to the people who are your performers."

"The whole country is moving from being white, Anglo, and Protestant to polyglot."

MARION SANDLER
Golden West Financial

Close to half the CEOs (42%) say they have made a genuine effort to recruit minorities, but less than a quarter feel their efforts have produced substantial new talent. So why aren't they scrapping their programs? Even the most discouraged hope that past recruiting will pay off sometime in the future, as new minority hires become seasoned executives.

CEOs appear chastened by their experience with affirmative action. They express surprise and disappointment at how slowly progress has been made, and only 41% feel

REPORTER ASSOCIATE *Joan Viebranz*

"We're not going to lower the level of our management to meet anybody's quota."

W. W. SPRAGUE JR.
Savannah Foods & Industries

they have met their recruitment and hiring goals. They use words like "naive" to describe their early expectations. "In years past we were unrealistic," says David Swanson of Central Soya. "We tried to recruit right into middle management. But you can't just parachute them in. The pool of applicants was too small here in Midwestern agriculture."

Only 16% of the CEOs say they have had difficulty finding qualified applicants, but virtually all agree the applicant pool is shallower than they had feared. Nowhere is the shortage more acute than in engineering, computing, and the sciences; the most recent estimates show minorities earn only 3% of degrees in those areas. Says 3M's Allen Jacobson: "It's a very thin market in science and engineering graduates who are minorities. We can find most of those we need, but there's no surplus of them."

3M recruits from 75 colleges and universities and lends executives to professional associations that encourage minority participation in the sciences. It sends women scientists and technicians to schools to tell young girls the virtues of scientific careers. For such efforts, the winter issue of *U.S. Black Engineer* commends 3M for having one of the best minority-recruitment programs in U.S. industry.

Competition for qualified applicants breeds a variety of evils, including piracy: Almost half (48%) of all respondents complain that their best minority managers, people often trained and educated in-house, get pirated away by competitors. "It's a problem," admits Marion Sandler, head of California's Golden West Financial, though she says the problem has eased somewhat in recent years. "We'd have people calling our Oakland office, asking tellers if they were black. If the tellers said yes, they'd hire them sight unseen."

In the race to develop talent, 26% of CEOs complain of pressure to push minority managers ahead too fast. William Bourke of Reynolds Metals isn't among them. He feels minority managers are, if anything, not advanced fast enough. Says he: "Keep in mind we're in the capital of the South here, my friend—Richmond, Virginia. Most of our senior managers are Southern white males. There's a breakthrough mentality you have to work on." Since Bourke has as little patience for reverse discrimination as he has for discrimination itself, he commends the Supreme Court's January decision. He expects it will have no effect on Reynolds's program, since the company does not use quotas.

For now, the mortar binding CEOs to affirmative action—a compound of social conscience, fear, and self-interest—appears strong. Some CEOs believe fervently that the programs are the best way of righting past wrongs. Others half-heartedly endorse them because, like eating oatmeal, it's the right thing to do. Still others fear the penalties for backsliding, which can be sharp: General Motors, while admitting no wrongdoing, agreed in January to compensate a group of 10,000 current and former black employees who said GM had discriminated against them in promotion and hiring. Potential cost: $30 million or more.

The most enlightened CEOs see a diverse work force as a competitive advantage. For demographic reasons, 85% of new hires by the end of the Nineties will be women or black, Hispanic, and Asian men. Jobs will increase faster than workers available to fill them. Employers who want to seize future talent must learn to attract today's minorities. Beggars can't be bigots.

Marion Sandler of Golden West Financial puts it this way: "In the broad perspective, the whole country is moving away from being white, Anglo, and Protestant to polyglot, particularly in places like California, Colorado, Texas—places we do business. You have to recognize what's happening and be a part of it." For all minorities, practical necessity will open doors that never yielded to entreaty. F

Q A **Which of the following statements comes closest to describing your own company's affirmative action activities?**

We have affirmative action goals but no numerical quotas	54%
We have specific quotas for hiring and promoting	18%
We hire and promote on merit and talent alone	14%
Other	14%

Q A **If your company has an affirmative action program, which of the following statements describe your experience?**

Minority managers get pirated away, thwarting our efforts	48%
We have met our goals in hiring and promoting minority managers	41%
Minority managers tend to land in a fairly small group of staff positions	35%
There has been a tendency to push the advancement of some minority management candidates too fast	26%
The program has produced substantial new talent for my company	22%
The program has produced contention and controversy	12%

Q A **What has been your company's recent experience with affirmative action, and how do you expect your policies to change?**

RECENT EXPERIENCE		EXPECTED CHANGES	
Have made a genuine recruiting effort	42%	Don't expect significant change	59%
Have had difficulty getting qualified people	16%	Will continue strong support of program	13%
Have rejected quotas	12%	Expect more effort to promote affirmative action	8%